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PSC TO DRAW BLUEPRINT FOR KENTUCKY ELECTRIC INDUSTRY

Study is part of Gov. Ernie Fletcher's energy strategy

FRANKFORT, Ky. (March 10, 2005) The Kentucky Public Service Commission (PSC) today announced that it has begun work on a strategic blueprint for Kentucky's continued use and development of low-cost electric energy.

Gov. Ernie Fletcher directed the PSC to develop the strategic blueprint in response to findings of the Commonwealth Energy Policy Task Force. As directed by the governor in Executive Order 2005-121, the PSC will consult with the Environmental and Public Protection Cabinet and the Commerce Cabinet.

In an order issued today, the PSC established an administrative proceeding (Case No. 2005-00090), made the six major regulated electric utilities and the 19 regulated rural electric cooperatives parties to the case, and directed those utilities to answer an initial set of questions relating to current and future electric generation, transmission and distribution needs and plans.

The PSC's order notes that Kentucky's low electric rates have been a major factor in economic development and a significant benefit to residential consumers. But low rates in the future "are by no means guaranteed," the Commission said.

"Only by planning today can Kentucky ensure abundant, affordable and environmentally sustainable supplies of electricity for future generations," the PSC said. "This Strategic Blueprint will be designed to promote future investment in electric infrastructure for the Commonwealth of Kentucky, to protect Kentucky's low-cost advantage, to maintain affordable rates for all Kentuckians, and to preserve Kentucky's commitment to environmental protection."

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Changes in both state and federal laws and regulations, as well as changes in both fuel and electricity markets, have the potential to increase rates, the PSC said. Increasing concerns over the reliability of the regional electric transmission grid also must be considered, the PSC said.

The work to develop a strategic blueprint will update and expand on information gathered by the PSC in two earlier proceedings. In Administrative Case 387, established in 2001, the PSC examined the adequacy of Kentucky's electric generation and transmission facilities. The report in that case was issued Dec. 20, 2001.

The PSC in 2003 initiated a study of Kentucky's vulnerability to widespread electric outages. That followed a blackout that affected much of the Northeast and Upper Midwest, though not Kentucky. The findings of that study are due to be issued soon.

The utilities that have been made parties to the case are Big Rivers Electric Corp., East Kentucky Power Cooperative, Kentucky Power Co. (American Electric Power), Kentucky Utilities Co., Louisville Gas and Electric Co. and The Union Light, Heat and Power Co. Electric companies not regulated by the PSC, including the Tennessee Valley Authority, municipal electric power systems and independent power producers, have been invited to participate, as have other interested parties, such as groups representing industrial or residential customers.

"If Kentucky is to maintain its competitive advantage and the benefits of low-cost electricity for consumers, then the Commonwealth must take a critical and comprehensive look at our electricity usage, available resources and infrastructure," the PSC said in today's order. "Moreover, to the extent that future electricity infrastructure investments are affected by state, regional and national economic and regulatory factors, decision makers in the Commonwealth must remain fully informed of such developments."

Today's order, as well as the report and other documents from Administrative Case 387, are available on the PSC Web site, psc.ky.gov.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.